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COMMONWEALTH OF VIRGINIA

STATE CORPORATION COMMISSION

AT RICHMOND, FEBRUARY 14, 2001

COMMONWEALTH OF VIRGINIA

At the relation of the

STATE CORPORATION COMMISSION

CASE NO. PUE980813

Ex Parte: In the matter of  
considering an electricity  
retail access pilot program -  
Virginia Electric and Power Company

and

APPLICATION OF

VIRGINIA ELECTRIC AND POWER COMPANY

CASE NO. PUE000585

To revise its fuel factor  
pursuant to § 56-249.6 of  
the Code of Virginia

ORDER GRANTING HEARING ON INTERIM WIRES CHARGE

By Order entered in this docket dated April 28, 2000, the State Corporation Commission ("Commission") approved a pilot program for electric retail access for Virginia Electric and Power Company ("Virginia Power" or "Company"). Among the features of the pilot is a wires charge to be added to the bills of customers who leave Virginia Power service to take electricity supply from a competitor.

On November 17, 2000, the Company filed an application to revise its fuel factor, pursuant to § 56-249.6 of the Code of

Virginia, from \$0.01339/kWh to \$0.01616/kWh, effective January 1, 2001. Virginia Power applied, on December 1, 2000, to adjust the wires charge component of its pilot program to accommodate the proposed change in its fuel factor. By Order entered on December 8, 2000, in Case No. PUE000585, we permitted the Company to implement, on an interim basis, its proposed fuel factor. The fuel factor mechanism currently in effect for Virginia Power contains a correction factor that permits any over- or under-collection of fuel costs to be adjusted in later filings. The wires charge mechanism established in the Company's pilot program and in the Virginia Electric Restructuring Act does not include any corresponding adjustment mechanism.

On December 28, 2000, we entered an Order Permitting Comment or Request for Hearing on Virginia Power's proposed changes to the wires charge in Case No. PUE980813.

By letter of counsel dated January 4, 2001, Virginia Power represented that if permitted to implement its proposed adjustment to its pilot program wires charge effective January 1, 2001, it would not thereafter object to any further modifications to the pilot program wires charge that we might find necessary based on our final determination entered in Case No. PUE000585, the fuel factor application. Virginia Power acknowledged that the wires charge adjustment mechanism set out

in Code § 56-583, which prohibits adjustment to the wires charge more than once per year, does not apply in the context of this pilot program, but will become operative on and after January 1, 2002.

By Order dated January 9, 2001, we permitted Virginia Power to implement an interim wires charge that incorporated its requested adjustment, subject to refund or other subsequent modification. On January 30, 2001, the Commission received a request for hearing in this matter from Michel A. King, President of Old Mill Power Company.<sup>1</sup> Mr. King objects to the proposed wires charge adjustment, calling it unjust and unreasonable. He argues that there is "no basis for a finding by the Commission that the Company's net stranded costs associated with generation will meet the requirements of § 56-584 because they are projected to 'exceed zero value in total' or are otherwise 'just and reasonable.'"

In permitting the interim implementation of the proposed wires charge, we made no finding as to the merits of the Company's application and continued to solicit comment from interested parties on this application. We concluded, along with the Company, that under the current law Code § 56-583 does not limit the frequency with which we may make adjustments to

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<sup>1</sup> The Office of the Attorney General, Division of Consumer Counsel ("Consumer Counsel"), also filed comments but did not request hearing. Consumer Counsel may participate in the hearing established herein, should it choose to do so.

the wires charges during the pilot program. We advised that upon the conclusion of this case, or Case No. PUE000585, we might order adjustments to the wires charge to correspond with our ultimate findings in either case, or both cases.

The Commission is of the opinion, having considered the comments filed herein by Mr. King and Consumer Counsel, that the issues raised herein can best be dealt with during our hearing in Case No. PUE000585, Virginia Power's fuel factor application.

Accordingly, IT IS ORDERED THAT:

(1) The hearing of this matter shall be consolidated with the hearing established in Case No. PUE000585, to begin at 10:00 a.m. on **April 3, 2001**.

(2) The discovery provisions of our Order in Case No. PUE000585, dated December 8, 2000, remain fully in effect and shall apply to discovery, if any, on the issues raised by Mr. King in his comments.

(3) This matter is continued for further orders of the Commission.